

BILL # HB 2465

TITLE: ~~vehicle service transporter license plates~~
(NOW: license plates; transfer; credit)

SPONSOR: Pierce

STATUS: House Engrossed

REQUESTED BY: House

PREPARED BY: Bob Hull

FISCAL ANALYSIS

Description

Currently owners who sell their vehicles can use their unexpired vehicle registration and license plate fees and taxes toward the vehicle registration and license plate fees and taxes for another vehicle. Alternatively, they can surrender or destroy their license plates and get a refund if their credits exceed \$350. Unused credits decrease monthly for the remainder of the original 1 or 2-year vehicle registration period.

The engrossed bill would allow owners to apply for refunds over \$20 beginning January 1, 2005.

Estimated Impact

The engrossed bill would decrease annual vehicle license tax (VLT) revenue by up to \$(2,826,700) to the State Highway Fund, up to \$(4,766,500) to cities and up to \$(4,848,200) to counties in FY 2006. It is estimated that up to half of this impact could occur in FY 2005. We cannot quantify the precise decrease in revenue, due to data limitations in the information provided by the Arizona Department of Transportation (ADOT). The upper limits of the fiscal impact would reflect 100% of eligible owners seeking a refund. There would also be an unknown decrease in revenue to the Highway User Revenue Fund and the State Highway Fund for refunds of other fees and taxes in addition to VLT, including registration, gross weight, commercial registration, special plate and motor carrier fees.

ADOT does not have a cost estimate for decreased revenue. ADOT did not provide an estimate for implementation costs, which could include computer programming, staff training, postage and a publicity campaign.

Analysis

Currently, vehicle owners keep their license plates when they sell their vehicles, and are entitled to a credit for the unexpired portion of vehicle registration and license plate fees and taxes. Owners may apply their credit to registration and license plate fees and taxes for another vehicle. The credit decreases monthly, until it disappears entirely at the end of the original vehicle's registration period. Alternatively, owners may surrender or destroy their license plates and obtain a refund if their credit is more than \$350. Owners lose the credit, if their credit is \$350 or less and they do not use the credit toward registration and license plate fees and taxes for another vehicle. The engrossed bill would allow owners to apply for refunds over \$20.

Laws 2003, Chapter 258 conditionally modified the plate and fee to owner program to freeze credits and eliminate refunds effective July 1, 2004 if the legislature appropriates \$122,000 to ADOT for implementation costs. No appropriation has been made to ADOT for this purpose. Any excess or unused credit remaining unapplied at the end of the original registration period would be deleted. The engrossed bill would eliminate the changes to the plate and fee to owner program and the conditional enactment made by Chapter 258.

A vehicle owner's credit for unexpired vehicle registration and license plate fees and taxes, includes VLT, registration, gross weight, commercial registration, special plate and motor carrier fees. ADOT had 3,813 refunds over \$350 totaling \$1,656,600 in CY 2003, which included all of these fees and taxes. ADOT could not separate the dollar amounts of refunds for the different fees and taxes. These refunds decreased revenue by an unknown amount to the Highway User Revenue Fund and the State Highway Fund.

(Continued)

Analysis (Cont'd)

ADOT was only able to provide data on the VLT component of the total (VLT, registration, gross weight, commercial registration, special plate and motor carrier fees) credits used by vehicle owners in CY 2003. ADOT reports that 264,000 customers used \$24,831,300 of credits for VLT in CY 2003, and that 85% of these credits were over \$20. ADOT had \$14,636,900 of unused VLT credits available on their computer system at the end of CY 2003. The engrossed bill would allow customers to apply for \$12,441,400 of VLT refunds, if we assume that 85% of the \$14,636,900 of unused VLT credits are over \$20. If customers applied for all \$12,441,400 of VLT refunds, it could decrease total annual revenue by up to \$(2,826,700) to the State Highway Fund, up to \$(4,766,500) to cities and up to \$(4,848,200) to counties. It is estimated that up to half of this impact could occur in FY 2005. The total decrease in annual revenue of up to \$(2,826,700) to the State Highway Fund, includes decreases of up to \$(2,397,100) for statewide highway construction and up to \$(429,600) for controlled access highways. It is unknown how much of the reduction in revenue would be a permanent loss due to customers who leave the state, versus how much revenue would be recouped from customers who get a refund but then later replace their original vehicle. There would also be an unknown decrease in revenue to the Highway User Revenue Fund and the State Highway Fund for refunds of other fees and taxes in addition to VLT, including registration, gross weight, commercial registration, special plate and motor carrier fees.

The engrossed bill would have an effective date of January 1, 2005.

Local Government Impact

The engrossed bill would decrease revenue by an unknown amount for Highway User Revenue Fund distributions to local governments beginning in FY 2005. In addition, the engrossed bill would decrease annual VLT distributions by up to \$(9,614,700) to local governments including, up to \$(4,766,500) to cities and up to \$(4,848,200) to counties in FY 2006. It is estimated that up to half of this impact could occur in FY 2005.

3/31/04